

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

D.T.E. NO. 01-81

REQUEST: Bay State Gas Company Information Requests to AllEnergy Gas and Electric Marketing Company, LLC

DATE: April 12, 2002

BSG-AE-6:

- (a) In the past six years, has AllEnergy elected to stop serving any residential gas customers in Massachusetts and returned such customers to utility gas sales service?
- (b) If the answer to (a) is yes, please provide a detailed explanation as to why customers were returned to utility service.
- (c) Provide any written analyses or communications prepared by AllEnergy or its consultants relating to AllEnergy's decision to return such customers to utility sales service.

Respondent: R. Bachelder
Objection by Counsel

SECOND
SUPPLEMENTAL
RESPONSE:

AllEnergy objects to this request on two grounds: (1) it is irrelevant to Bay State's proposal to implement a gas cost incentive mechanism; and (2) it calls for the production of AllEnergy's competitively sensitive information, materials and trade secrets on matters unrelated to this case. Without waiving the objection, AllEnergy states:

(a) – (b) AllEnergy participated in the Bay State Pioneer Valley Pilot Program from its inception in order to gain experience and knowledge as to the determinants of success in residential competitive markets. The program began with a great deal of support from Bay State in marketing the program to potential customers. In addition, under the terms of the program, Bay State provided certain back office functions for AllEnergy in return for fees paid by AllEnergy to Bay State. AllEnergy at one point had approximately 14,000 customers in the pilot. However, AllEnergy reluctantly decided to send them back to Bay State because, after four years of experience, we determined the program was not workable.

AllEnergy encountered numerous problems with the administration and regulatory requirements of the program, which the AllEnergy attempted to rectify with Bay State.

- ?? Price changes that were submitted to the LDC for supplier service were frequently not executed.
- ?? AllEnergy was unable to determine the specific customers in our pool as Bay State's website was never quite accurate, and we did not receive separate confirmation reports from Bay State identifying changes to the pool.
- ?? Accounts receivable data were not timely, were incomplete, and needed a great deal of manipulation in order to be useful, which was not workable in a large-scale program.
- ?? Due to regulatory rules, as well as Bay State's interpretation of the rules and its systems, AllEnergy was unable to utilize standard collections procedures; it was also required, in order to collect past due balances for itself, to collect past due balances for Bay State's distribution charges first.
- ?? Customer relations became difficult due to the above, and our relationship with Bay State became strained as well.

AllEnergy determined that the deficiencies of the program were not curable and made the difficult decision to exit the program in the fall of 2000. We allowed contracts with customers to run their term without renewal and customers were notified that we would be unable to renew their contracts. The last customers were returned to Bay State in the fall of 2001.

With respect to regulatory issues, the main drawbacks related to payment order rules and collections issues. The Department has modified its payment order rules for the electric industry whereby consolidated bill payments are prorated between LDCs and suppliers. If this were to happen on the gas side, AllEnergy and probably other potential suppliers would find the residential market much more attractive for entry.

The Department also needs to address the administration of accounts receivable for small, consolidated bill customers. The entity that bills the customer must be responsible for the receivable, and the billing entity for consolidated billing by law must be the utility. Without access to the utility's billing and accounts receivable system and reporting, the supplier is at a complete disadvantage with respect to collections of past due balances. The supplier has no leverage with which to collect past due amounts. Our only threat is to send the customer back to the utility,

where the customer is likely to pay more for gas. For small customers whose dollar amounts at risk are small, it is not a compelling threat. Correction of these problems would provide additional incentives for competitive suppliers to enter the residential market.

Utilities' billing and accounts receivable systems are also not set up to accept payment information without accepting cash. Therefore, if a supplier collects past due monies, the utility is unable to reflect those payments in its system without receiving the cash. Furthermore, the systems are designed to reflect the payment order specified by regulation and the cash payment would not be applied to the collecting party's balance in its entirety. So, even if the payment order problem is rectified, unless accounts receivable and collection responsibility is corrected and made workable, consolidated billing options and collections are not yet viable for small customers.

(c) Please see attached documents.